

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
July 25, 2002

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, July 25, 2002, at 1:00 P.M. in Conference Room A in Suite 1116, Parkway Towers, Nashville, Tennessee.

The following members were present: Janice Cunningham for Steve Adams, Jay Ballard, Judy Bond McKissack for Riley Darnell, David Hayes, Leigh Ferguson, Harold Hunter, John Kalec, Ann Butterworth for John Morgan, Peter Abernathy for Warren Neel, Jeff Reynolds, Jerry Sisson, and Caestine Williams.

The following members were absent: Susan Brown, Bill Bruce, Carolyn Flagg, Ronnie Knight, Bill Long, Ralph Perrey, and Larry Rogers.

Chairman David Hayes opened the meeting for public comment. No one asked to address the Board.

Chairman Hayes then took the opportunity to introduce and welcome Mr. John J. Kalec, the newly appointed Board member replacing Mr. Mark Cunningham. Mr. Kalec represents the manufactured housing industry and is the Senior Vice President and Chief Financial Officer of Clayton Homes, Inc.

Chairman Hayes then declared a quorum was present and called the meeting to order. Upon motion by Ms. Butterworth, seconded by Mr. Abernathy, the minutes of the May 16, 2002, meeting were approved as distributed.

Chairman Hayes deviated from the published agenda to begin Board review of 2002 Low Income Housing Tax Credit Applicant final review requests. Mr. Hayes gave members an opportunity to disclose any contact by any applicant. No disclosures were reported. Applications and Board actions were as follows:

1. Hilltop Apartments (TN02-019): After the expiration of the cure period, the applicant submitted a real estate purchase agreement dated March 8, 2002, and executed by an individual who was identified in the initial application as being involved in the developer and/or the general partner of the owner. At its June 20, 2002, meeting the Policy & Programs Committee upheld staff's determination that the documentation submitted did not fulfil the property control eligibility requirements of Part VII-A-7 of the 2002 Low Income Housing Tax Credit Qualified Allocation Plan ("the QAP"). Representatives Dwayne Barrett, Robert Brindley, and Terry Mitchell were present. Mr. Barrett addressed the Board regarding the property control documentation submitted during the application, cure, and review periods. The applicant requested the Board's reconsideration and determination that the property control requirements were fulfilled.

With no further discussion, Chairman Hayes opened the floor for a motion. With no motion being entered, staff's determination of ineligibility was upheld.

2. Carriage Homes (TN02-035): Mr. Dale Wells addressed the Board and requested reconsideration of the Carriage Homes application. Mr. Ed Yandell, Director of Multifamily & Special Programs, advised that the applicant was notified via a cure notice that the issue of acceptability of an unsigned title opinion letter would be brought before the Policy & Programs Committee at its June meeting. During that meeting, Mr. Wells advised that he was prepared to provide proof of title insurance; however, the Committee did not accept additional documentation and determined that the property control requirements were not met prior to the end of the cure period. Following further applicant statements and Board discussion, Chairman Hayes opened the floor for a motion. There being no motion offered, the determination of ineligibility stands.
3. Village at Jackson (TN02-010): No representative was present. Mr. Sisson related that the Policy & Programs Committee upheld staff's determination that insufficient documentation was submitted in relation to an Attachment 22 bankruptcy disclosure. No motion was entered; therefore, the determination of ineligibility stands.
4. Southside/Alton Park/MLK (TN02-055): Mr. David Berry and Ms. Caroline Bentley represented Chattanooga Neighborhood Enterprise, Inc. (CNE), and addressed the Committee. The review item dealt with whether the applicant submitted all necessary documents as required by Part VII-A-6 of the QAP. The applicant representatives shared that there had been a misunderstanding and they were under the impression it was not necessary to submit disclosures for all Board members because they had not done so in an October 2001 application. Mr. Sisson advised that the October 2001 application round was a special situation for allocating tax credits set aside for nonprofits. Chairman Sisson further stated that the Policy & Programs Committee made an effort to treat all applicants equally, and thus the decision not to accept additional documentation after the cure period applied in this instance. Lynn Miller, General Counsel, acknowledged that staff erred during the review of applications submitted in October 2001, but stressed that a past error should not be compounded by carrying it forward to other application rounds, particularly since this determination is based on the 2002 QAP. At this time, Mr. Ferguson recused himself. Chairman Hayes opened the floor for a motion, and with none being entered, staff's determination of ineligibility stands.
5. Skyline Apartments (TN02-005): No representative was present. Chairman Sisson summarized the application issue. Following the cure period, staff determined that a property control requirement was not satisfactorily met. The applicant had not submitted a recorded instrument of conveyance or a commitment for title insurance as required by Part VII-A-7-b-ii of the QAP. The Policy & Programs Committee recommended that staff's determination of ineligibility stand and the applicant subsequently requested Board review. With no Board motion being entered, the determination of ineligibility stands.

With no other tax credit review items on the agenda, Chairman Hayes expressed the Board's appreciation for the efforts made by the Policy & Programs Committee in the appeal process.

The next item on the agenda was Employee Recognition. Janice Myrick, Executive Director, presented a 20-year award to Guy Freeman, an 18-year Agency employee. Mr. Freeman is currently working as a Compliance Monitor, although he previously worked in the Community Programs Division. Henry Snorton, Administrative Coordinator in Contract Administration, was introduced to the Board and congratulated for his selection as the Agency's Employee of the Quarter. Kathy Whalen, Director of Contract Administration, briefly shared accomplishments as a result of Mr. Snorton's dedication and skills.

Chairman Hayes then recognized Sam Epting, Director of Finance. Mr. Epting plans to retire at the end of August and thus the Agency loses its first and only Finance Director to date. Chairman Hayes read a Resolution of the Bond Finance Committee whereby the Committee expressed its appreciation and well wishes to Mr. Epting. Mr. Epting was also presented a Resolution from the Board of Directors. Mr. Epting addressed the Board and shared some of the history of his employment with the Agency. He also expressed how rewarding it had been to assist Tennesseans and to work with so many wonderful individuals over the past 30 years. Chairman Hayes expressed his personal thanks to Sam, acknowledging how great it had been to work with such a trustworthy individual. Following Mr. Epting's recognition, Ms. Myrick introduced Wayne Beard to the Board. Mr. Beard will assume the duties of Director of Finance on September 1 and has been working side-by-side with Sam to assure a smooth transition.

Ms. Myrick reviewed the Monthly Report noting that it included an Executive Summary of preliminary fiscal year end data. Final budget data will become available and will be shared in September. Ms. Myrick reminded the Board that the Assets Fund balance would soon be at zero with a \$36 million transfer to the state. Ms. Myrick called attention to the Community Programs section of the Executive Summary indicating the HOUSE Program is winding down. The Agency has two Multifamily Bond applications pending with a September 30, 2002, submission deadline. The Section 8 Contract Administration Division will be increasing their staff as 14 new developments (1,000 units) come online. The Agency's annual race and gender breakdown statistics were also included in the report.

The next item was Bond Finance Committee Reports and Matters. Ann Butterworth, Comptroller Morgan's designee and Chair of the July 24, 2002, Bond Finance Committee meeting, expressed the Committee's appreciation for the good work and valuable information provided in the Agency's Investment Report. The State Treasurer's Office and the Comptroller's Office worked with the Agency in producing the Investment Report and this reporting mechanism has received much support.

The first Board action item is authorization for Issue 2002-3 Bonds. Lynn Miller called attention to documents in the Board packet noting that Issue 2002-2 will close on July 31, 2002. At the time of that closing, the Agency will have committed about \$12 million of that issue. The current proposal is an issue in an amount not to exceed \$85 million, essentially the same as the last bond issues. A competitive, rather than a negotiated, sale is a possibility. The Bond Finance

Committee approved a plan of financing and recommends approval of the Issue 2003-3 transaction. Approval of the 2002-3 Bond Issue via the adoption of the Board Resolution is requested to allow maximum flexibility in timing the next bond issue. Adoption of the Board Resolution would delegate authority to the Bond Finance Committee to structure the deal and finalize the terms and conditions including the timing of the transaction. Chairman Hayes opened the floor for a motion to approve. Upon motion by Ms. Butterworth, seconded by Ms. Cunningham, the motion carried unanimously.

The next Bond Finance Committee item presented to the Board dealt with the Agency's Trustee (J.P.Morgan). Board members were provided a packet prior to the meeting concerning this issue. Ms. Mary Margaret Collier, Division of Bond Finance, addressed the Board and explained that due to several business plan changes within J.P. Morgan, the Bond Finance Committee determined it was an appropriate time to evaluate the Trustee. J.P. Morgan's business changes should be operational in October or November; therefore, the Committee recommends that the RFP process begin immediately. The Committee requests Board approval to distribute the RFPs, and requests that via the Board Resolution contained in the packet, the Board delegate authority to the Committee to select a trustee at the end of the RFP process. It was noted that the Committee plans to include J.P. Morgan in the RFP distribution. Ms. Butterworth noted that once the RFP process begins, official contacts should be made through Ms. Collier. Ms. Butterworth entered the motion to approve, and Mr. Ferguson seconded. Ms. Butterworth welcomed Board members to participate in conference calls regarding the issue. With there being no further discussion, Chairman Hayes called for a vote and the motion carried unanimously. Board members will be kept informed of the process via email.

Ms. Myrick addressed the Board regarding funding the House the General Assembly Built Program, an initiative started over two years ago. Funding for the third year of the program is available and staff recommends that the program go forward. Mr. Reynolds entered the motion to approve. Mr. Hunter seconded, and the motion passed unanimously.

Lynn Miller apprised the Board of a non-agenda item regarding a potential conflict of interest involving a Community Programs employee who has resigned from the Agency. On August 1, 2002, Mr. Joel Taylor will begin employment with Greater Nashville Regional Council, an entity who, among other things, is a consultant providing grant writing and project administrative services to local governments for a variety of governmental programs, including the HOME Program. Ms. Miller distributed her July 25, 2002, memorandum and a draft letter advising Ms. Mary Wilson, Acting Director, CPD, HUD Knoxville Office, of the conflict of interest and request for an exception to 24 C.F.R. Section 92.356(b) as provided in 24 C.F.R. Section 92.35(d). Public disclosure is required as part of requesting a waiver, and by incorporation of the July 25, 2002, memorandum into these minutes, that requirement is met. Ms. Miller added that the Agency is very sorry to lose Mr. Taylor as an employee; however, his departure may prove beneficial to the Agency in that the Community Programs Division can then work with someone at Greater Nashville Regional Council with knowledge of the HOME Program. No Board action was required and the Agency will request a waiver via the letter mentioned previously in these minutes.

Ms. Myrick reviewed State legislation with the Board. Legislation was passed to allow the Department of Finance & Administration to transfer funds from the Agency's Asset Funds to the state. Currently, the Agency has about \$36 million in cash investments in that fund and it is expected that the entire amount will be transferred. Although the legislation prescribes that a plan must be in place to restore any reserves that are transferred, no information on that plan is available. Ms. Myrick related the effect of the furlough on the Agency and thanked staff for their efforts in getting through this time. Ms. Miller added that two divisions, Multifamily & Special Programs and Community Programs were not included as essential during the furlough, and, in hindsight, staff realize that this omission was a mistake. Ms. Myrick also shared that furloughed employees did not have to use leave and will be paid. Chairman Hayes thanked everyone who worked long hours.

Ms. Myrick updated the Board on the status of Federal legislation. There is hope that the repeal of the 10-year rule will pass this fall. All Tennessee congressional delegates have given their support of the legislation, with the exception of Senator Thompson. Chairman Hayes mentioned new legislation titled "Renewing the Dream Tax Credit Act", to allocate a 50% tax credit over five years for single family housing developments.

Chairman Hayes reminded members of the upcoming NCSHB Conference beginning August 11. Members were asked to let Ms. Myrick know immediately if interested in attending.

Chairman Hayes reminded members of the NCSHA Annual Conference and encouraged participation in this event to be held in New Orleans. Members were asked to let Ms. Myrick know as soon as possible if interested in attending. The conference dates are September 28-October 1, 2002. This meeting will be Chairman Hayes' last annual meeting.

The next agenda item was the September Board Meeting. Ms. Myrick thanked Chairman Hayes for his gracious invitation to host the meeting. Members and attendees will be notified of lodging possibilities, and meeting agendas are forthcoming. Plans are underway for a meeting with area legislators that should be beneficial to the Agency.

Ms. Myrick reminded Board members, who have not done so already, to complete and return their annual disclosure statement as soon as possible.

Ms. Myrick said that next year is a special year for THDA as it is the Agency's 30th year. Plans for events and programs to celebrate the anniversary are underway. This is a great opportunity to showcase the Agency's successful programs.

Ms. Myrick shared one final non-agenda item with the Board. The Department of Economic & Community Development (ECD) is meeting today to determine the amount of mid-year volume cap allocation. As of last week there was still a possibility for the Agency to receive \$100 million in July. ECD continues to work on a revision to the Allocation Plan, which would go into effect in January and possibly increase the Agency's annual volume cap allocation at the beginning of the year, allowing for better planning.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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